

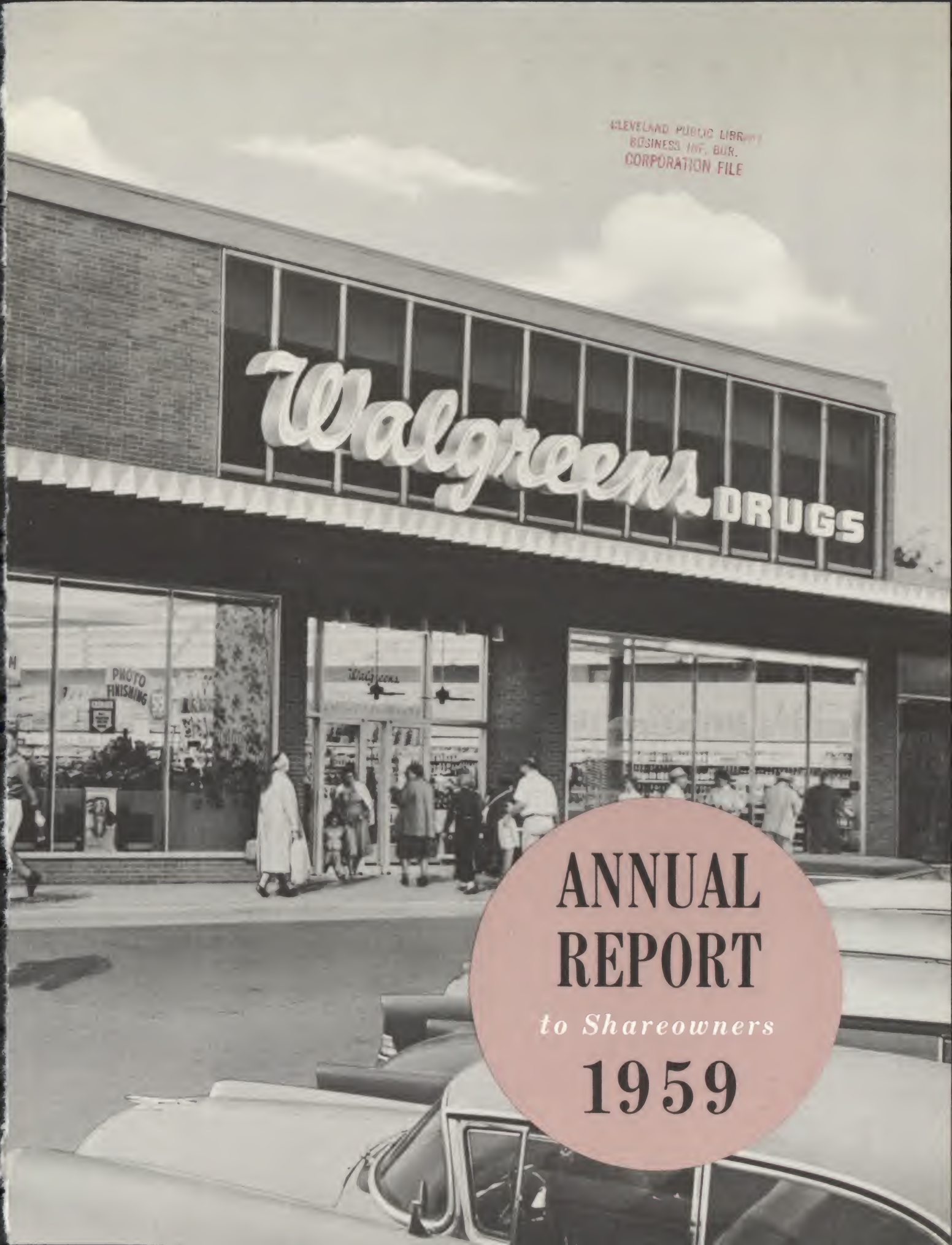
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CORPORATION FILE

Walgreens DRUGS

ANNUAL REPORT

to Shareowners

1959



Walgreen Co.



DIRECTORS

A. A. BORG	EDWARD P. LESLIE
SANFORD J. BOWYER	S. S. RAAB*
C. R. CAMPBELL	R. G. SCHMITT
ROBERT G. KNIGHT	A. L. STARSHAK
C. R. WALGREEN, JR.	

OFFICERS

C. R. WALGREEN, JR.	<i>President</i>
H. W. BECKER	<i>General Auditor</i>
A. A. BORG	<i>Vice President</i>
SANFORD J. BOWYER	<i>Vice President</i>
C. R. CAMPBELL	<i>Vice President</i>
O. G. GILE	<i>Assistant Secretary</i>
ROBERT G. KNIGHT	<i>Vice President and Treasurer</i>
C. E. LA FRAMENTA	<i>Vice President</i>
EDWARD P. LESLIE	<i>Vice President</i>
W. W. LOW	<i>Assistant Treasurer</i>
A. F. MERNER	<i>Assistant Secretary</i>
W. K. MISKE	<i>Assistant Secretary</i>
S. S. RAAB*	<i>Vice President</i>
W. H. REESE	<i>Assistant Secretary</i>
R. G. SCHMITT	<i>Vice President and Secretary</i>
A. L. STARSHAK	<i>Vice President</i>
N. P. STARSHAK	<i>Comptroller</i>

Public Accountants and Auditors..... ARTHUR ANDERSEN & Co.

Transfer Agents... THE FIRST NATIONAL BANK OF CHICAGO
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Registrars..... HARRIS TRUST AND SAVINGS BANK OF CHICAGO
THE FIRST NATIONAL CITY BANK OF NEW YORK

General Offices, 4300 W. Peterson Ave., Chicago 46, Ill.

**Name changed from S. S. Rabinovitz*

The President's Annual Message



SALES and earnings again attained new highs in the fiscal year covered by this report. Sales exceeded 285 millions. Earnings per share, based upon the number of shares presently outstanding—including the stock dividend issued at the very end of the fiscal year—were \$4.32. Based upon

the number of shares outstanding a year ago, the earnings would have been \$4.46, compared to \$4.11 last year.

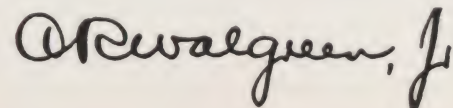
During the year we opened 27 stores; 11 were closed, 9 of which were replaced by newer and larger

units, and 2 because their future prospects did not warrant their rehabilitation. At September 30 we were operating 422 stores; 179 of these were self service, a further move in our steady shift toward this type of operation. Sales from our self service stores now represent over half of our volume of business. The number of new openings was larger than in the previous year, and we are looking forward to a still larger number of new openings during the current fiscal year, which began October first. To better service our expanding business, a new warehouse soon will be

completed in Jacksonville, Florida, and those in Chicago and Denver have been enlarged.

I believe that our vigorous organization and improved operating methods put us in a good position to meet strong and changing competitive conditions.

Sincerely,

A handwritten signature in cursive script that reads "A. Walgreen, Jr." The signature is written in dark ink and is positioned above the printed name "President".

President

Chicago, November 21, 1959

Walgreen Co. and Subsidiary Companies

COMPARATIVE

ASSETS

	September 30,	
	1959	1958
CURRENT ASSETS:		
Cash	\$ 5,846,010	\$ 5,270,446
Accounts receivable, less reserves	4,211,626	3,393,874
Inventories of merchandise, priced at the lower of cost or market, less reserves	34,462,108	31,231,626
TOTAL CURRENT ASSETS	44,519,744	39,895,946
PREPAID RENT, INSURANCE, TAXES, ETC.	1,123,302	1,029,474
INVESTMENTS IN AFFILIATED AND OTHER COMPANIES, at cost (equity in underlying book values or market value \$4,260,000 in 1959 and \$3,660,000 in 1958)	1,668,978	1,669,857
FIXED ASSETS, at cost:		
Land	163,180	68,000
Buildings (on owned and leased land)	1,594,159	1,554,101
Equipment	28,274,330	26,215,585
	30,031,669	27,837,686
Less—Reserves for depreciation	13,077,849	11,899,280
TOTAL FIXED ASSETS	16,953,820	15,938,406
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount	1	1
	\$64,265,845	\$58,533,684

NOTE:

In 1957, the shareowners approved a restricted stock option plan for key employees, including officers. At September 30, 1959, 52,423 shares of common stock were reserved for issuance under this plan of which options are outstanding for 50,273 shares at prices ranging from \$26.21 to \$44.79. Options granted under this plan are exercisable beginning one year from the date of grant over a

BALANCE SHEET

LIABILITIES

	September 30,	
	<u>1959</u>	<u>1958</u>
CURRENT LIABILITIES:		
Trade accounts payable	\$ 9,275,576	\$ 8,284,268
Accrued expenses and other liabilities	7,933,400	7,456,927
Federal and State income taxes	4,740,812	3,707,876
Notes payable	950,000	500,000
TOTAL CURRENT LIABILITIES	<u>22,899,788</u>	<u>19,949,071</u>
2½% NOTE, due August 15, 1960 (current maturity included above) ..	—	950,000
SHAREOWNERS' EQUITY:		
Common stock, \$10 par value—		
Authorized 1,955,522 shares; issued and outstanding 1,336,207 shares in 1959 and 1,292,485 shares in 1958; at stated value..	14,826,033	12,924,850
Earned surplus	26,540,024	24,709,763
TOTAL SHAREOWNERS' EQUITY	<u>41,366,057</u>	<u>37,634,613</u>
	<u>\$64,265,845</u>	<u>\$58,533,684</u>

period not exceeding five years and in reduced amounts thereafter through 1967. During 1959, 10,710 shares became exercisable of which 8,990 were exercised; options for 4,550 shares were granted; and previously granted options required an adjustment of 1,413 shares because of the 3% stock dividend declared in 1959.

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF INCOME

For the Years Ended September 30, 1959 and 1958

	<u>1959</u>	<u>1958</u>
SALES AND OTHER INCOME:		
Net sales and other store income	\$285,079,083	\$259,898,209
Other income (net)	269,541	296,045
	<u>285,348,624</u>	<u>260,194,254</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation	270,065,023	245,896,680
Depreciation of buildings and equipment	2,086,711	1,928,932
Provision for contribution to employees' retirement pension trust	1,693,000	1,765,000
Improvements to leased properties	401,396	230,380
	<u>274,246,130</u>	<u>249,820,992</u>
INCOME BEFORE FEDERAL AND STATE INCOME TAXES	11,102,494	10,373,262
Provision for income taxes	5,330,000	5,060,000
NET INCOME	<u>\$ 5,772,494</u>	<u>\$ 5,313,262</u>

COMPARATIVE STATEMENT OF SHAREOWNERS' EQUITY

For the Years Ended September 30, 1959 and 1958

Earned Surplus		
Balance, beginning of year	\$ 24,709,763	\$ 21,852,223
Net income	5,772,494	5,313,262
	<u>30,482,257</u>	<u>27,165,485</u>
Deduct—Dividends paid—		
Cash of \$1.60 per share in 1959 and \$1.90 per share in 1958	2,077,852	2,455,722
3% stock dividend (34,732 shares issued and cash payments for fractional shares of \$205,928, at market value of \$47.75 per share)	1,864,381	—
	<u>3,942,233</u>	<u>2,455,722</u>
Balance, end of year	<u>\$ 26,540,024</u>	<u>\$ 24,709,763</u>
Common Stock		
Balance, beginning of year	\$ 12,924,850	\$ 12,924,850
Proceeds from 8,990 shares issued under employees' stock option plan	242,730	—
Transfer of earned surplus in connection with 3% stock dividend	1,658,453	—
Balance, end of year	<u>\$ 14,826,033</u>	<u>\$ 12,924,850</u>

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

WALGREEN Co.:

We have examined the consolidated balance sheet of WALGREEN Co. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1959, and the related statements of consolidated income and shareowners' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and shareowners' equity present fairly the financial position of Walgreen Co. and Subsidiary Companies as of September 30, 1959, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,

November 12, 1959.



Walgreens

**The
NEW
VIEW
of**

Walgreen

**DRUG
STORES**

**27
NEW STORES
OPENED IN
1959**

Alameda, Cal., *South Shore Shopping Center*

Atlanta, Ga., *908 Gordon St.*

Atlanta, Ga., *Lenox Square Shopping Center*

Bridgeview, Ill., *Southfield Shopping Center*

Chicago, Ill., *1069 Bryn Mawr Ave.*

Chicago, Ill., *9101 S. Commercial Ave.*

Chicago, Ill., *Harlem-Foster Shopping Center*

Chicago, Ill., *Howard-Western Shopping Center*

Chicago, Ill., *4800 W. Madison Ave.*

Daly City, Cal., *Westlake Shopping Center*

Des Moines, Ia., *Merle Hay Plaza*

Walgreens ...



Walgreens DRUGS

DRIVE-IN SHOPPING CENTER SITES

now comprise 109 of our 422 locations. The great majority of these are self-service stores, many of them ranking among our top-volume units.

OF 1959's 27 NEW STORES, 18 ARE IN SHOPPING CENTERS.

Additionally, a number of our stores were modernized, some enlarged, some converted to self-service operation.

Downers Grove, Ill., 5139 S. Main St.

Ft. Lauderdale, Fla., 301 S. Andrews Ave.

Gary, Ind., *Tri-City Shopping Plaza*

Houston, Tex., *Montclair Shopping Center*

Jacksonville, Fla., *Gateway Shopping Center*

Louisville, Ky., 707 S. 4th St. (*Prescription Pharmacy*)

Memphis, Tenn., 2 N. Main St.

Memphis, Tenn., *Poplar-Highland Plaza*

New Albany, Ind., 302 Pearl St.

New Orleans, La., *South Claiborne Shopping Center*

Paramus, N.J., *Bergen Mall Shopping Center*

Park Ridge, Ill., *Village Green*

St. Paul, Minn., *Midway Shopping Center*

Tucson, Ariz., *El Rancho Shopping Center*

Wauwatosa, Wis., *Mayfair Shopping Center*

Western Springs, Ill., *Garden Market*

A Growth Company in a Growth Field

THIS IS *Walgr*

SELF-SELECTION



INFORMATION, PLEASE



'IMPULSE' BUYING



CHARACTERISTICS of our self-service drug stores: Larger Sales Area,
Expanded Merchandise Selection, Greater Overall Volume.

een

SELF-SERVICE



BEAUTY COUNSEL



SPEEDY CHECK-OUT



PRESCRIPTION SERVICE



PRESCRIPTION volume continues to climb in both conventional and self-service units.

Prime reasons: Dependable Service, Finest Facilities, Fair Prices.



...Where We Do Our

ALABAMA (1)

Mobile

ARIZONA (6)

Phoenix (4)
Tucson (2)

ARKANSAS (3)

Fort Smith
Hot Springs
Little Rock

CALIFORNIA (13)

Alameda
Daly City
Hayward
Oakland
Palo Alto
Redwood City
Sacramento (2)
San Francisco (3)
San Mateo
Santa Monica

COLORADO (12)

Boulder
Colorado Springs
Denver (6)
Englewood
Fort Collins
Lakewood
Pueblo

CONNECTICUT (2)

Bridgeport
Hartford

FLORIDA (19)

Daytona Beach
Fort Lauderdale
Hialeah
Jacksonville (3)
Lakeland
Miami (4)
N. Miami Beach
Orlando
Panama City
Pensacola
St. Petersburg
Tallahassee
Tampa
West Palm Beach

GEORGIA (8)

Atlanta (5)
Augusta
Columbus
Savannah

ILLINOIS (139)

Arlington Heights
Aurora
Berwyn (2)
Bloomington
Blue Island
Bridgeview
Centralia
Champaign
CHICAGO (83)
Chicago Heights
Cicero (2)
Danville
Decatur (2)
Des Plaines
Downers Grove
East St. Louis
Elgin
Elmhurst
Evanston
Evergreen Park
Galesburg
Glen Ellyn
Harvey
Highland Park (2)
Hinsdale
Joliet
Kankakee
La Grange
Lake Forest
Moline
Morton Grove
Norridge
Oak Park (3)
Park Ridge (2)
Peoria (2)
Quincy
Rockford (2)
Rock Island
Skokie (3)
Springfield
Sterling
Waukegan (2)
Western Springs
Wheaton
Winnetka

INDIANA (16)

Anderson
East Chicago
Fort Wayne (3)
Gary (3)
Hammond (2)
Lafayette
Logansport
Michigan City
Muncie
New Albany
South Bend

IOWA (6)

Clinton
Council Bluffs
Davenport (2)
Des Moines (2)

KANSAS (2)

Topeka
Wichita

KENTUCKY (13)

Lexington
Louisville (8)
Newport
Owensboro
Paducah
Pleasure Ridge Park

LOUISIANA (17)

Alexandria
Baton Rouge (2)
Lake Charles
Metairie
Monroe
New Orleans (10)
Shreveport

MASSACHUSETTS (2)

Springfield
Worcester

MICHIGAN (7)

Battle Creek
Benton Harbor
Flint
Jackson
Kalamazoo
Lansing
Muskegon

MINNESOTA (14)

Duluth (2)
Edina
Minneapolis (7)
Richfield
St. Paul (2)
St. Louis Park

MISSISSIPPI (2)

Jackson
Vicksburg

MISSOURI (10)

Crestwood
Jennings
Richmond Heights
St. Louis (7)

NEBRASKA (3)

Lincoln
Omaha (2)

NEW JERSEY (2)

East Paterson
Paramus

NEW MEXICO (1)

Albuquerque

NEW YORK (16)

Albany
De Witt
Hempstead
Levittown, L.I.
Massapequa Park
New Hyde Park
New York (6)
Niagara Falls
Syracuse
Valley Stream
Yonkers

N. CAROLINA (5)

Durham
Greensboro
Raleigh
Wilmington
Winston-Salem

OHIO (12)

Akron
Cincinnati (3)
Columbus (3)
East Cleveland
Lima
Springfield
Toledo (2)

OKLAHOMA (3)

Tulsa (3)

PENNSYLVANIA (1)

Altoona

S. CAROLINA (3)

Charleston
Columbia
Greenville

S. DAKOTA (2)

Aberdeen
Sioux Falls

TENNESSEE (15)

Knoxville
Madison
Memphis (10)

Nashville (2)
Oak Ridge

TEXAS (33)

Abilene
Amarillo
Beaumont (2)
Corpus Christi (2)
Dallas (6)
Galveston
Houston (12)
Lubbock
Pasadena
Port Arthur
San Antonio (2)
University Park
Waco
Wichita Falls

UTAH (4)

Price
Salt Lake City (3)

VIRGINIA (1)

The Pentagon

W. VIRGINIA (2)

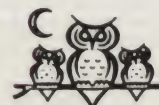
Huntington
Wheeling

WISCONSIN (25)

Appleton
Beloit
Eau Claire
Glendale
Green Bay
Kenosha
Menasha
Milwaukee (15)
Racine
Wauwatosa
West Allis

WYOMING (2)

Casper
Cheyenne



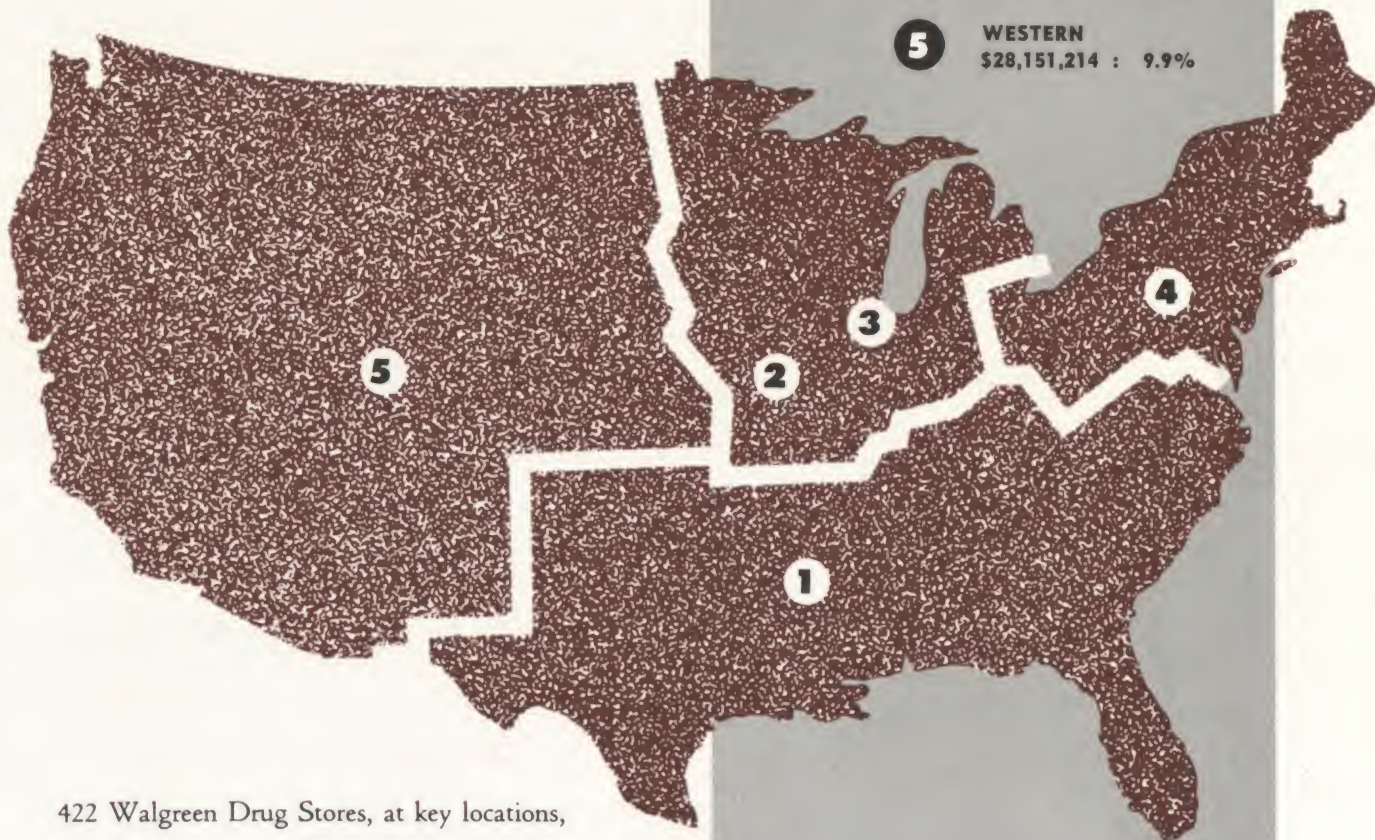
**Sanborns
MEXICO**

Mexico City (4)
Monterrey

Walgreens

DISTRIBUTION OF SALES:

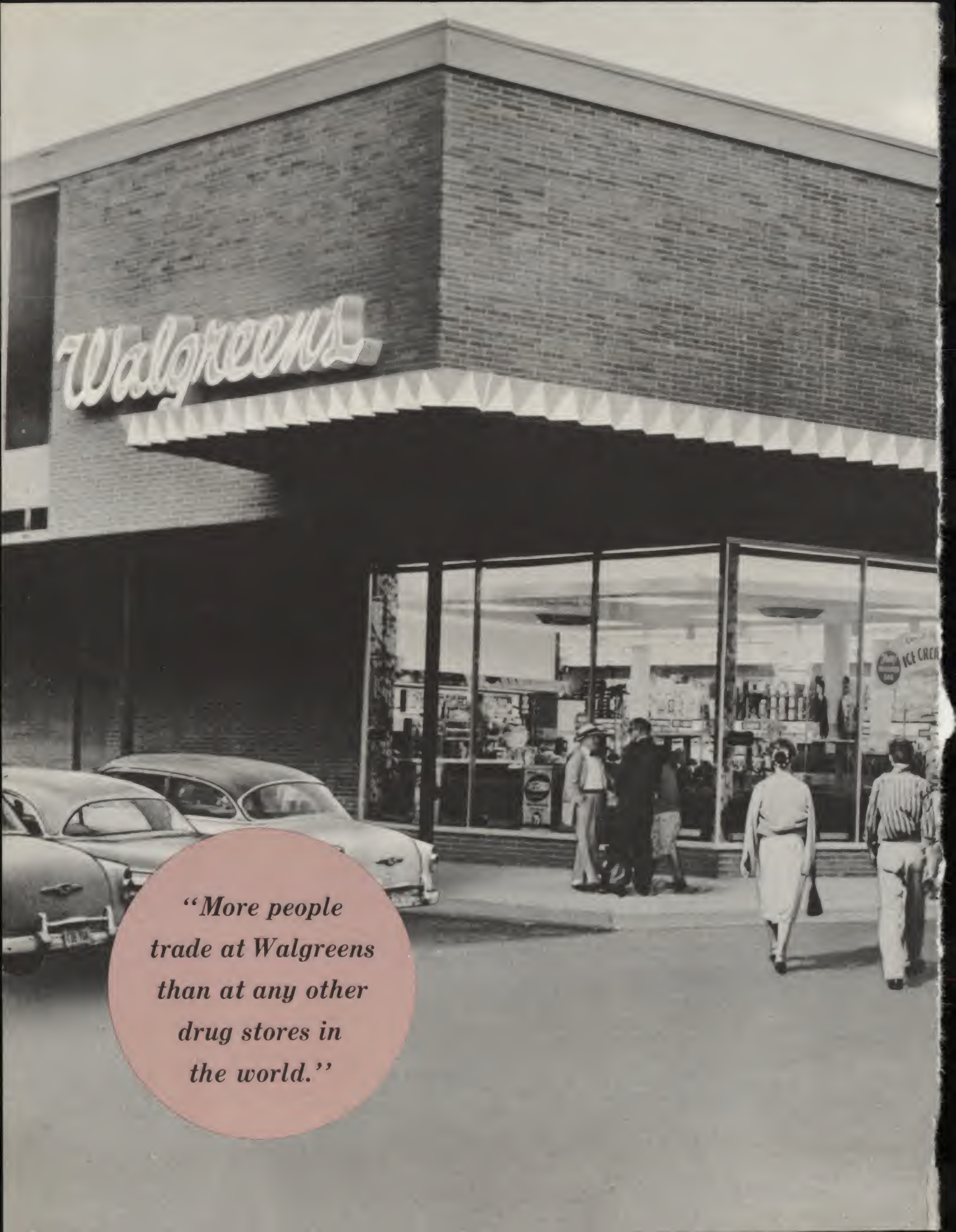
- 1** SOUTHERN
\$84,265,567 : 29.6%
- 2** MIDWEST
(Chicago excluded)
\$84,177,896 : 29.5%
- 3** CHICAGO, ILL.
\$59,524,364 : 20.9%
- 4** EASTERN
\$28,960,042 : 10.1%
- 5** WESTERN
\$28,151,214 : 9.9%



422 Walgreen Drug Stores, at key locations, bring *better health, better living, better value* to communities across the nation. In addition, 1835 independently-owned Walgreen Agency Drug Stores carry our name and our products into many areas not directly served by our own stores; and our affiliate in Mexico, the celebrated *Sanborns*, gives international scope to our operations.



.. *the Nation's Name for Drug Stores*



*“More people
trade at Walgreens
than at any other
drug stores in
the world.”*